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Agricultura[illegible] Administration,
Informatio[illegible] of [illegible]icity Division,
Alfred D. [illegible]an, Director

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no. 8

To Farm Journal Editors:

The information which follows, bearing on commodities, programs, developments, agreements, and regulations under the Agricultural Adjustment Act, was selected and prepared for your use.

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EFFECT OF ADJUSTMENT PROGRAMS ON PRICES TO FARMERS

The following question was received recently from a Midwest farm journal editor:

"How much do the Department of Agriculture and the A.A.A. figure that farm prices have been increased through the efforts of adjustment programs?"

We replied as follows:

"In the case of cotton, there is ample evidence to support the statement that without the emergency, or plow-up campaign of last summer cotton would have gone to around 4 cents last fall instead of a present price twice that. That has meant many millions and can perhaps even be estimated in actual figures. That was an emergency effort calculated to have an immediate effect on the supply, which it did, but it should not be confused with the problem in the case of other commodities, where price results are not expected until some time after January 1.

"In the case of wheat, the effort has been directed toward preventing a large wheat crop in 1934, for the sake of better prices later. The only influence on 1933 wheat prices that it was expected to have was the effect that an anticipated cause can have on a trend. What that was cannot be established in cents per bushel. The millions of dollars now going into Kansas farmers' hands in benefit money can be measured, but a possible rise - or a check of a decline - that is caused by a reduced future supply cannot be so established. The effect of the wheat program on prices in 1934 should be in evidence by next summer.

7772

"Likewise in the case of hogs. True, there was an emergency hog 'plow-up' designed to support the price structure after late December or after the first of the year, and also designed to moderate the seasonal trend that usually reaches its low point in December. It removed six million pigs from the winter marketing, and reduced next summer's marketing by at least a million more pigs which would have been farrowed by the sows marketed. This removal naturally will have its effect on price when it begins to show up in the form of reduced market supplies during the next few months. The expectation of higher prices later may have prevented the present seasonal low point from going as low as it otherwise might have gone.

"In other words, except for the millions in benefit money, the Adjustment program so far as wheat and corn and hogs are concerned, is a program that was calculated to produce future results in higher prices to producers rather than immediate 1933 results."

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COTTON PROGRAM AIDS THE CORN BELT

In addition to adjusting the cotton supply situation and the resultant improved condition throughout the Cotton Belt, the 1933 cotton acreage reduction program had other results of far-reaching significance. The program resulted in the material reduction of cottonseed products which compete with products of the Corn Belt and other agricultural areas.

The cottonseed oil in the 4,400,000 bales of cotton that was prevented from maturing would have amounted to over 612,000,000 pounds. This is equivalent to the lard from approximately 20,500,000 corn-fed pigs weighing 200 pounds each, or roughly 40 percent of the lard produced in 1932 under Federal inspection.

The cottonseed meal produced from the seed plowed under would have amounted to approximately 1,964,000 tons. This amounts to more than the total annual production of linseed meal, and on a pound-for-pound basis is equivalent to over 31,000,000 bushels of corn. The hulls plowed under are equal to 649,000 tons of wild hay.

All of which indicates how definitely farmers outside the Cotton Belt have received direct material benefits because of the cotton campaign and the consequent reduction in the supply of cottonseed products that compete with lard and feed grain. To this degree the cotton program has been as much a Middle West program as a Cotton Belt program.

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THE USE OF LAND TAKEN OUT OF PRODUCTION

Agricultural Adjustment Administration officials estimate that 30 to 40 million acres will be taken out of cotton, corn, wheat, and tobacco production under its acreage reduction programs in 1934. Joseph F. Cox, chief of the Replacement Crops Section, points out that all growers

of these crops under all the production control are permitted to plant erosion-preventing and soil-improving crops on their retired contracted acreage. Consequently "the way is open to new seedings of grasses and legumes, according to their adaptation, and to the planting of crops to be turned under for soil improvement during the period that the land is contracted acreage."

In the corn-hog reduction contract, recently announced, it is required that "the producer shall use or permit to be used the contracted acres only as they may be prescribed by administrative rulings. Unless otherwise prescribed, such acres shall not be used except for planting additional permanent pasture; for soil-improving and erosion-preventing crops not to be harvested; for resting or fallowing the land; for weed eradication; or for planting farm wood lots."

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CORN LOANS TOTAL MORE THAN $1,500,000

Approximately $1,500,000 have been loaned on corn stored under seal in States having farm warehouse acts, during the first two weeks the Government loan offer has been available to farmers, according to William S. Bradley, in charge of the corn loan division of the Commodity Credit Corporation.

"The relationship of local banks with the Corporation," Mr. Bradley explained, "permits rapid handling of loans. An eligible borrower may take his warehouse receipt to a local bank, fill out a note and sign the loan agreement. The banker may pay out the money at once and merely send a notice to the Commodity Credit Corporation that the loan has been made. At any time up to July 1, 1934, the Commodity Credit Corporation will buy the note from the lending agency at the face amount, plus accrued interest at 4 percent. This arrangement permits dozens of banks to put their money into circulation within their own communities, with assurance that the collateral is liquid at any time."

Instructions and note forms for obtaining loans on corn in Indiana, Michigan, Missouri, Ohio and Wisconsin, which do not have farm warehouse acts, are now being printed at the Government printing office, and will be distributed as soon as available, to county agricultural extension agents, local financial institutions, grain elevator operators, and others who will assist in handling the loans to farmers.

Approximately 1,750,000 copies of instructions and note forms for making loans in Iowa, Illinois, Minnesota, Nebraska, South Dakota, and Colorado, which have farm warehouse acts, have already been distributed. The eligible areas in these states are: All counties in Illinois, Iowa and Nebraska; eight counties in northeastern Colorado; 47 counties in southern Minnesota; and 36 counties in South Dakota.

Loans to producers in States not having farm warehouse acts will be made at the same rate, 45 cents a bushel for eligible corn, as prevails in states with warehouse laws. The borrower, however, must store his corn in an elevator, or other public warehouse licensed under the provisions of the United States Warehouse Act, or approved by the Commodity Credit Corporation.

Operators of unlicensed grain elevators or other public warehouses, properly equipped to store corn, desiring approval of the Commodity Credit Corporation, are advised to communicate with the loan agency of the Reconstruction Finance Corporation serving the district in which they are located.

Only negotiable warehouse receipts assuring delivery of the corn represented, or corn of the same or better grade, and issued by warehousemen who are not owners of the corn, will be acceptable. The rate of interest will be 4 percent. The maturity date is August 1, 1934.

Loans in States not having farm warehouse acts will be made on shelled field corn graded No. 3 or better, with moisture content not exceeding 15.5 percent, properly stored in a public warehouse. The original plan specified corn graded No. 2, but this specification was modified to permit loans on a larger quantity of corn. There is no limit to the quantity of corn on which an individual producer may obtain a loan.

The loan agreement in the States where loans will be made on public warehouse certificates specifies that the warehouseman may not charge more than 1 cent a bushel per month of storage, and not more than 1 cent a bushel for receiving, weighing, loading out or the usual charges for storing and handling at the time of the issuance of the warehouse receipts, whichever is the smaller amount.

All producers who obtain loans, under either form of loan agreement, that is, for States with and States without farm warehouse acts, agree to reduce corn acreage in 1934 to 20 percent below the average acreage of the past two years on the farm to be operated in 1934, and to reduce hog production to 25 percent below the two-year average, in accordance with the 1934 corn-hog production adjustment contract.

There is no recourse on the borrower, provided the loan agreement, including the corn and hog production adjustment, is fulfilled, and also provided the borrower made no misrepresentation of fact in procuring the loan. If, at maturity date, the market price of corn should be less per bushel than the loan amount per bushel, the borrower may discharge his obligation by turning over to the Commodity Credit Corporation or its representatives the number of bushels of corn originally stored.

Because of legal technicalities in a new farm warehouse law recently passed by the Kansas legislature, it is not possible to make loans within Kansas with the present loan forms, according to Mr. Bradley. Special forms are being prepared for that State, and it is expected that loans will be started through within the next two or three weeks.

Eligible areas under the loan arrangements for States not having farm warehouse laws are: All counties in Indiana; five counties in Michigan; 59 counties in Missouri; 48 counties in Ohio and seven counties in Wisconsin.

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DENMARK'S HOG PRODUCTION CONTROL PLAN

The following is an abstract by Dr. Nils A. Olsen, Chief of the Bureau of Agricultural Economics, United States Department of Agriculture, of a report from H. E. Reed, Meat and Livestock Specialist in Europe for the Foreign Agricultural Service. It is based on Mr. Reed's investigations of the operations and results of the Danish hog production control plan:

From 1920 to 1932 hog production in Denmark expanded rapidly. Prewar levels of the production were reached in 1923. Since that date the annual hog slaughter has more than doubled. This expansion followed closely the upward trend in dairy production, due to the important place occupied by skim milk in hog feeding practices in Denmark. Production is almost entirely confined to bacon type hogs, and production and marketing problems are characterized by an almost complete dependence on the bacon market in the United Kingdom. Exports represent 80 percent of the total slaughter, and, in some years, as much as 99 percent of the bacon exports have been shipped to England.

Up to 1926, Denmark met little competition in the British market from bacon produced in other continental European countries. In that year, however, sanitary restrictions on British imports of continental fresh meat forced Netherlands to turn its extensive fresh pork export trade into bacon. From 1926 to 1932, the Baltic States and Poland, heretofore virtually unknown in the British bacon trade, entered the field by subsidizing their pork industries. By 1932 the resultant heavy supplies of cured pork reaching British markets from all sources had so reduced prices that reduction in hog numbers in Denmark was a logical response. Since January, 1932, when the Danish hog census returns indicated an all-time record of high level, reduction in numbers has been urged officially.

A reduction in hog production was, moreover, necessitated by the action of Great Britain in late 1932 in restricting imports of bacon by voluntary quotas or agreements. In accordance with a recent trade treaty, Denmark is assured of 62 percent of the British import business in cured pork, but progressive reductions in the quota for Denmark exceeded the rate of reduction in hog numbers and the Danish Government recognized the necessity of instituting measures to bring about a further reduction and to control production.

Largely as a result of the British policy of restricted cured pork imports, the Danish Hog Control Law became effective in February, 1933. Danish agricultural affairs are managed principally through a council representing farmers' organizations. The Ministry of Agriculture is almost

exclusively an administrative body, leaving policy-making to the council. T law empowers the Minister of Agriculture, with the approval of the council, to administer certain regulations for the control of hog production and slaughter. In addition to setting up the necessary administrative machinery and providing penalties for non-compliance with the regulations, the outstanding authority granted the Minister is that which allows him to: (a) impose and collect fees on hog slaughterings, and (b) fix one price for a given number of hogs and a lower price for "surplus" hogs.

Briefly summarized, the objects of the Danish Hog Control Law are to (a) reduce Danish hog production to the degree made necessary by British pork import quotas and the requirements of the home market; (b) restrict cured pork exports to Great Britain to the amount admissible under British import restrictions, and (c) maintain the domestic bacon market price at the level of the British market price, in which the leading problem is the disposition of so-called "surplus" hogs.

The principal control features in the Danish scheme are:

1. Issuing cards to producers for the probable number of hogs which the British and home markets will take and paying for such hogs a price determined by prevailing bacon prices in Great Britain.

2. Discouraging production in excess of the above amounts by paying a substantially lower price for hogs for which cards have not been issued.

3. Making up from a special fund the losses incurred in the marketing of surplus bacon and pork, the fund being derived from slaughter taxes and special fees.

The method of allotting hog cards to producers is based upon a calculation which takes into consideration the assessed value of land in the farm, the amount of skim-milk, or its equivalent in buttermilk or whey, used by the farmer in 1932, and deliveries of hogs made in 1932. Also, each farm is allotted five cards regardless of its size. In no case, however, is a producer allowed cards in excess of the number of hogs delivered in 1932. There have been controversies in respect to the bases of prorating "cards" among producers, and changes effective January 1, 1934, were recently made to satisfy some of the objections to the original formula of allotments.

The administration of the plan is financed as follows:

A tax of Kr. 2 (equivalent to 48 cents on November 21, 1933) per head on all hogs weighing over 110 pounds (except old sows and boars) slaughtered for both domestic and export trade. The tax became effective March 6, 1933. An additional special fee is paid by slaughterers and collected by them from producers for each bacon hog marketed without a permit card. The fee amounts to the difference between the British market price for bacon and the prices realized from the marketing of surplus hog products in other foreign markets.

Prices and special fees are published every Saturday, effective for the following week. The committee in charge of the plan buys from bacon factories all supplies at the prevailing British price, which the factories are unable to dispose of under the British import quota, or at home at the price set. Losses from sales of this surplus are expected to be met from the fund secured from the slaughter taxes and special fees.

The Danish hog control plan does not restrict production to a specified total number of hogs but influences production by the low prices paid for production in excess of the allotment of "cards". The fee payable for the slaughter of hogs without cards lowers the net price to producers to the price fixed for surplus hogs. This fee has reached as high as 8.3 cents a pound, with a net price to farmers of 5.5 cents, when at the same time the price paid to farmers for dressed hogs with cards was 13.8 cents a pound. Surplus production is discouraged by increasing the fee.

Various methods have been adopted to dispose of the surplus or the marketings in excess of the British quota and domestic consumption at the British price level. The export movement to countries other than England has been subsidized and reciprocal trade agreements have been concluded. Shipments to foreign countries other than England have not, however, assumed great proportions and have never exceeded 3 percent of the total of weekly shipments. Accumulated stocks have been reduced somewhat by selling sides to hog producers at low prices (5.7 cents a pound). The problem of disposal of surplus supplies still exists.

The Danish hog control plan has not been in effect long enough to indicate very definitely the effectiveness of the measure as such in hastening the reduction of total Danish hog numbers. Such a sharp reduction in hog numbers had taken place prior to the adoption of the plan that further reductions and the surplus problem have been considerably simplified. From July 15, 1931, the peak point, to April 15, 1933, the number of sows in Denmark declined 26 percent. That period included only about two months during which the control plan was in effect. By July 15, 1933, the number of sows was down 29 percent from the peak. This further decline in number of sows is attributed to the working of the card system.

In addition to a reduction in breeding operations to levels more closely in keeping with the export and home outlets, the plan has brought about a liquidation in numbers of hogs on hand when the plan was put into operation. The plan apparently brought about additional marketings of live hogs during the nine months period January 1 to September 30 of 20,000 head compared to the corresponding period a year earlier. No special tax is issued on slaughter of pigs under 110 pounds dressed weight and marketings of pigs of this weight have increased greatly. The control agency recognizes that marketing at this light weight is a means of reducing pork production and surplus numbers. Liquidation of the numbers on hand when the plan was inaugurated has therefore taken three forms: Substantial marketings of pigs weighing less than 110 pounds; additional marketings of live hogs (fully half of which were sows,) and small marketings of bacon hogs without cards. Such marketings reached only 12,000 head in the period June-August, 1933.

Market prices for domestic consumption have been fixed at the prices secured on exports to the United Kingdom. Only the quantities which can be moved at these prices enter the domestic marketing channels. Meanwhile, price conditions under which the plan is operating are somewhat unique. The British quota system has raised prices for the bacon so admitted to an exceptionally profitable level. The hog-feed ratio for those exports is 12, whereas the price paid for surplus production represents a ratio of 5. A ratio of 8 is considered adequate in Denmark.

In September officials anticipated that production and supplies would be brought in line with British and home demand by late 1933 or early 1934, provided there were no further drastic reductions in the British quota. Further reductions in the British quota, however, have been recently announced. As a short-time measure for disposing of the surplus and for speeding up a reduction in hog numbers, the plan has been fairly effective. Uncertainties with respect to the all-important British market outlet have discouraged attention to long-time control plans.

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COTTON POOL FOR PRODUCERS' OPTIONS

The creation of a cotton pool to liquidate the 2,400,000 bales of Government-held cotton covered by options to producers, is contemplated in detailed plans to advance option-holders 4 cents a pound on their options. The plans were announced December 12 by the Office of the Finance Director of the Agricultural Adjustment Administration.

In an agreement to be forwarded to producers who will receive the options, provision is made for the Secretary of Agriculture to "establish on such terms and conditions and subject to such reservations and regulations as he, the Secretary, may in his uncontrolled discretion, see fit, a cotton pool, under the management of a person who shall be designated by the Secretary and who shall be called Manager, Cotton Pool."

Options to cotton farmers who participated in the 1933 adjustment campaign are printed and have been sent to county agents together with the agreement whereby the option-holders may obtain an initial advance of 4 cents a pound, or $20 per bale, on the options. No definite date for release of the options and agreements has been fixed.

Approximately 600,000 cotton farmers elected the "option-with-benefit" plan in the 1933 cotton adjustment campaign and are entitled to options at 6 cents a pound on 2,400,000 bales of Government-owned cotton.

The plan for advancing the producer 4 cents a pound on the option as an "initial payment" entails the establishment of the "Cotton Pool" to hold the cotton upon which the 4-cent advance is obtained. Option-holders who desire to obtain the advance will be required to execute a document entitled "Exercise of Cotton Option and Pool Agreement."

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7772

SHADE-GROWN TOBACCO MARKETING AGREEMENT SIGNED

Approved by Secretary Wallace and signed by a majority of those in the industry, a marketing agreement for handlers of Connecticut Valley Shade-grown tobacco, U. S. Type 61, became effective at 12:01 a.m., December 11. The agreement applies to shade-grown tobacco in Connecticut, Massachusetts, New Hampshire, and Vermont.

It permits allotments of acreage to growers and allotments which handlers may handle; authorizes the establishment of minimum prices for sales by handlers and prices to be paid growers; requires that all tobacco sold by handlers be graded under Federal supervision; provides for handlers to submit required reports to the Secretary, and fixes terms and conditions under which packages of shade tobacco shall be sold.

The agreement is the second to be approved for the tobacco industry. It was signed by 14 companies, representing more than 75 percent of the handlers of shade-grown cigar tobacco in the Connecticut Valley.

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